

21 February 1952

MEMORANDUM FOR: MR. JOHN SHERMAN
Assistant Director for Coordination
Psychological Strategy Board

1. The attached letter was addressed to General Smith, Chairman of the Psychological Strategy Board, and is an apparently very academic and hypothetical discourse on planned economy. It is informally transmitted to your office for such disposition or consideration as you may wish to tender it.

2. The following represents our views with respect to this matter:

a. []'s main thesis appears to be that "the purchasing power of all consumers in a national economy should always be abreast with the rising productivity." To assure this, he proposes that a "Unit of Labor" be the currency unit for measuring the value of all goods and services. In other words, that labor should be the sole factor in determining costs and prices. Proceeding from this premise are other general proposals concerning the conduct of the national economy, but these are all dependent upon his main thesis.

b. Many economists agree that prices and cost bear no direct relationship to, or are they dependent solely upon, any one single factor—in this case labor. Therefore, it may be considered that Mr. [] premise is highly debatable. If this is true, it is doubtful how much value his proposal holds for our economic warfare plans.

STATINTL

Attachment: Ltr. from []

PY/CPP/FRZ:blr

Orig. & 1 - Addressee

✓ PY/CPP - 1

PY/PP Chrono. - 1